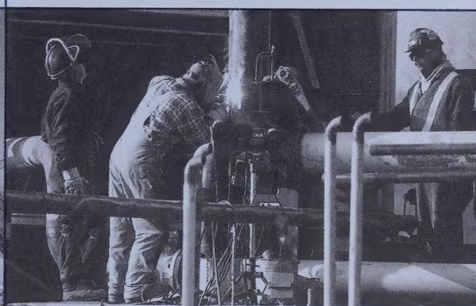
building...



the Churchill Corporation

Annual Report 19|98

'Churchill's strategic vision is to build a highly profitable, diversified construction services organization'

Corporate Profile

The Churchill Corporation is a diversified construction company active primarily in western Canada. Churchill is based in Edmonton and is listed on The Alberta Stock Exchange (CUQ).

Churchill's mission is to maximize client value in the construction process by partnering with owners to profitably deliver project-related services appropriate to fulfilling each owner's needs.

Churchill's strategic vision is to build a highly profitable, diversified construction services organization focused on western Canadian market opportunities. The outstanding financial results again achieved in 1998 greatly enhance Churchill's organizational and financial capacity. Churchill will utilize this capacity to implement its strategic blueprint to build shareholder value.

Churchill pursues its construction operations through:

Stuart Olson Construction Ltd. (100% owned) provides a wide range of design-build and general contracting services to meet the needs of private and public sector clients in the commercial, industrial and institutional sectors. Stuart Olson has offices in Calgary, Vancouver and Edmonton.

Insulation Holdings Inc. (100% owned) services clients in the petrochemical, oil and gas, utilities, pulp and paper, pipeline and mining industries. It provides an integrated range of industrial insulation, asbestos removal, siding application and maintenance services. Insulation Holdings is well positioned to serve clients throughout western Canada from its offices in Calgary, Edmonton, Regina, Fort McMurray and Bonnyville.

Triton Projects Limited Partnership (84% owned) provides heavy-industrial mechanical and general contracting services to clients in the oil and gas, petrochemical, electrical co-generation, mining and forest product industries. Triton is based in Nisku and has an office in Calgary.

contents

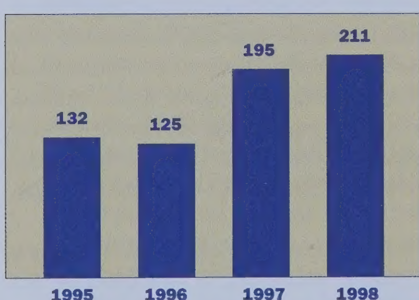
financial **highlights**

For the years ended December 31

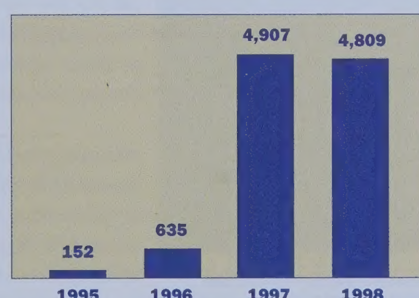
($ thousands, except for percentages and per share amounts)	1998	1997*	change 1998 over 1997
Construction Contract Revenue	$ 210,680	$ 195,491	8 %
Construction Contract Income	16,684	15,622	7 %
Earnings from Construction Operations	4,809	4,907	(2)%
Earnings Before Income Taxes	5,200	4,724	10 %
Net Earnings	4,221	3,574	18 %
Earnings per Share (Basic)	0.42	0.25	68 %
Net Book Value per Common Share	1.14	0.76	50 %
Work in Hand	155,438	128,013	21 %
Return on Shareholders' Equity	44%	46%	N/A

* Results for 1997 reflect the positive pre-tax $860,000 net impact of a claim settlement relating to prior years' operations.

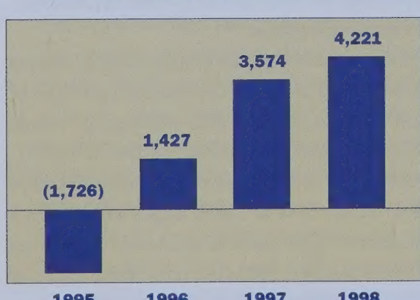
Construction Contract Revenue ($ millions)



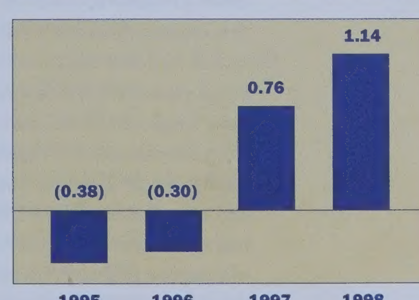
Construction Earnings ($ thousands)



Net Earnings ($ thousands)

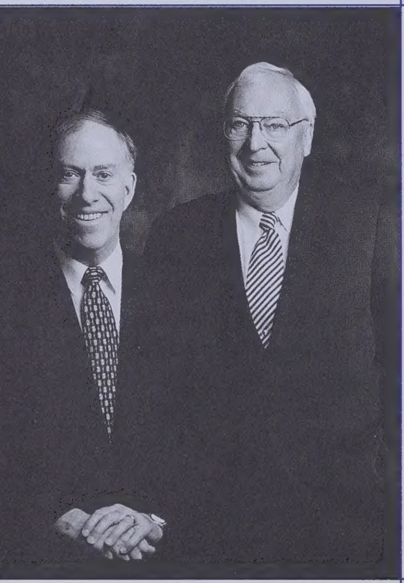


Net Book Value Per Common Share (Basic) ($)**



** calculated based on shares outstanding at year end; net of preferred shares and dividends in arrears in 1995 and 1996

report **to shareholders**



Stanton K. Hooper, Chairman (right) and H.R. (Hank) Reid, President and Chief Executive Officer

1998 Overview

Your Corporation achieved outstanding financial results and made fundamental business progress in 1998. Basic earnings per share were $0.42, an increase of 68% from the 1997 level of $0.25. Return on shareholders' equity was 44% in 1998, continuing our performance of delivering a very attractive rate of return on investment. The 46% return on shareholders' equity in 1997 placed Churchill eleventh in the entire Financial Post 500.

Construction revenue of $211 million represents a $16 million increase over the 1997 level. Earnings from construction operations of $4.8 million in 1998 compare to $4.9 million in 1997, which included the positive $860,000 net impact of a claim settlement relating to prior years' operations. Pre-tax earnings of $5.2 million in 1998 represent an 11% increase from the 1997 level of $4.7 million. Net earnings increased by 17% to $4.2 million from $3.6 million.

This outstanding financial performance, combined with proceeds of $2.1 million from divestiture of non-core assets, resulted in the further strengthening of your Corporation's financial position. Interest-bearing debt decreased by 45% during the year to $4.2 million from the $7.6 million level at the end of 1997. Shareholders' equity of $11.7 million on December 31, 1998, represents an increase of 58% over the $7.4 million level at the end of 1997. Net book value per share increased by 50% to $1.14 from $0.76 during the year.

We are pleased with the progress achieved in refocusing Churchill's business operations, in strengthening our balance sheet and in generating significant profitability. In entering into an agreement to sell our last major real estate property in 1999, the first stage of the strategy to focus on our profitable construction operations and to reduce debt has been virtually completed.

Churchill had $48 million of interest-bearing debt and dividend-bearing preferred shares when your current management team joined Churchill in 1990. The financial position of your Corporation has since been transformed through construction earnings, proceeds from divestitures and capital restructuring. The only debt outstanding on December 31, 1998 is the $4.2 million loan used to complete the 1997 repurchase of all preferred shares and cancellation of 8,865,846 common shares. We are now in active negotiations with a major Canadian chartered bank regarding term financing intended to accelerate repayment of a portion of this 16% loan at a significantly lower cost. We intend to retire the balance of the loan from working capital in 1999, depending on operational working capital requirements.

Growth Strategy

The successful implementation of the first phase of our strategic plan has resulted in the revitalization of your Corporation as a profitable diversified construction business. The foundation has been put in place from which to launch the more aggressive growth phase of our strategy. Our goal is to achieve growing and sustained profitability from our base of organizational capabilities, customer relationships, competitive advantages and financial resources. Churchill now operates from a position of strength which supports our ability to pursue a plan for balanced growth while maintaining profitability, cost control and a prudent capital structure.

'The foundation is in place to launch the more aggressive growth phase of our strategy'

Churchill's construction operations provide commercial design-build and general contracting services, industrial mechanical contracting services, and industrial insulation related services, as outlined in more detail on pages 6 to 9 of this Annual Report. Our construction operations are profitable, have proven ability to compete in both difficult and strong market conditions, and are well positioned to continue to be successful. The Churchill strategic plan combines internal growth of these construction operations with complementary new initiatives, including acquisitions.

The growth of our general contracting operation, Stuart Olson, will be primarily within its western Canadian geographic market. Emphasis on alternative methods of project delivery to enhance client value and service will be maintained. Stuart Olson enjoys a significant share of targeted segments of the construction market. This growth strategy is expected to result in Stuart Olson continuing to generate strong earnings and attractive rates of return on invested capital.

New initiatives will focus on the industrial construction market in western Canada, identified as an attractive growth area. The magnitude and diversity of capital investment planned during the next several years, particularly in the petrochemical, oil sands and pipeline sectors in Alberta, should create significant opportunity for well-run industrial construction companies. Churchill will achieve growth by building on the competitive strengths of our profitable industrial insulation and industrial mechanical operations. Industrial clients are looking for construction services provided by responsive suppliers with good reputations, strong safety records and solid financial capacity. Industrial clients also favor suppliers capable of providing an integrated range of services in order to enhance efficiency. Complementary alliances, joint ventures and potential acquisitions in the electrical, mechanical and plant maintenance areas are under active consideration.

Our criteria for assessing industrial sector growth opportunities include: strong reputable operating management; a complementary customer base; an established competitive position; and, a proven safety record. We will continue to focus on high value segments of the industrial market with low capital investment requirements and with manageable fixed costs. Churchill offers bonding capability and financial strength, access to a wider

range of services and client relationships, and proven project and risk-management systems. This growth strategy for the industrial sector is consistent with Churchill's demonstrated ability to make construction acquisitions and successfully integrate diverse construction operations.

Outlook

The outlook for 1999 and 2000 continues to be promising for the construction industry in western Canada, and for Churchill. The magnitude and diversity of capital investment planned during the next several years, particularly in the petrochemical, oil sands, food processing, electrical co-generation and pipeline sectors, should sustain a generally positive environment. Public sector infrastructure spending is expected to strengthen. Private and public sector clients continue to respond positively to the high service level and proven capabilities of Stuart Olson, including its breadth of experience in alternative methods of project delivery. Triton Projects and Insulation Holdings are well positioned to continue benefiting from ongoing growth in the industrial sector.

Churchill has a solid level of work in hand of $155 million on December 31, 1998, compared to $128 million on December 31, 1997. All three construction operations are busy pursuing significant and attractive work opportunities, with several new contracts awarded to each in early 1999. While critical indicators are encouraging, we remain concerned about the softness of the resource economy in British Columbia and the impact of oil prices on the Alberta economy. However, the direct exposure of Churchill to the cyclical energy sector is moderated by the breadth of other industries served by our construction operations. We continue to monitor our business closely.

'Churchill has a solid level of work in hand of $155 million'

People

In late 1998, Jim Hartrick was promoted to President of Triton Projects. Jim has a broad range of experience in project management, estimating and general management in the mechanical construction industry, including 26 years of service with Triton.

Dieter Mohr, President of Insulation Holdings, is retiring this spring after 35 years of service. He has played an integral role in building the company's excellent reputation, capabilities and client base. We are fortunate to retain access to Dieter's knowledge and experience in industrial construction through an ongoing consulting relationship.

The ability of Churchill to attract, develop, retain, and motivate outstanding people has been critical to the successful turnaround that has been achieved. Our people will be even more important to the successful implementation of our plans for growth. Churchill encourages employee ownership through an employee share purchase plan implemented in 1998, share purchase options, and shares purchased for cash. The employees and direc-

tors of Churchill and our construction subsidiaries now hold a fully diluted ownership position in excess of 20%. We believe this significant ownership interest reflects the enthusiasm of your employee group and Board for the future potential of Churchill. The resulting motivation and common interest in building shareholder value benefits all shareholders.

'Significant employee and director ownership... results in motivation and common interest in building shareholder value'

Normal Course Issuer Bid

In January, 1999, we initiated a Normal Course Issuer Bid under which up to 519,303 common shares may be purchased for cancellation by Churchill through open market activity. This Bid reflects the view of your Board of Directors that, at certain times, the market price of Churchill's common shares may not fully reflect the value of the business, at which time repurchasing shares will represent an attractive use of financial resources. Since initiating the Bid on January 21, 1999, Churchill has repurchased 29,000 shares at a cost of $25,000 to March 31, 1999.

Shareholder Rights Plan

At the Annual and Special Meeting held on May 20, 1998, Churchill shareholders adopted a Shareholder Rights Plan intended to encourage fair treatment of all shareholders under any potential takeover offer. The Plan provides a period of time during a takeover bid to allow shareholders and the Board of Directors to properly and fully assess a bid and seek alternatives to enhance shareholder value.

Your management and Board of Directors believe strongly in the future potential of Churchill. We are committed to building a highly profitable diversified construction organization and to delivering the best in service and value to our clients. We have successfully completed the turnaround phase of our strategy and are now moving forward to implement a balanced strategy for growth. We appreciate the commitment and excellence of our employees and the ongoing support of our shareholders.

H. R. (Hank) Reid
President and
Chief Executive Officer

Stanton K. Hooper
Chairman

operational **report**

Overview

Operations of the Churchill group of companies are managed in an integrated manner by a team of five senior executives, including the presidents of the three construction businesses. The management team meets regularly to review progress in achieving operating, financial and business development objectives. Monitoring our comprehensive and effective safety and environmental programs is also an important function of the management team. Each Churchill construction operation has a good safety record, a factor of increasing importance to our construction clients. As we strive to grow, Churchill senior management is placing greater emphasis on strategic and operational planning, corporate development, investor relations and risk management.

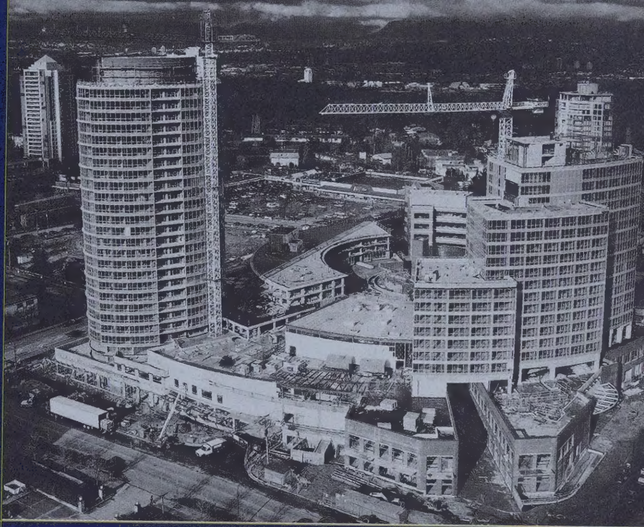
'... proven expertise in construction management and design-build...'

stuart olson **construction**

Stuart Olson delivered strong results in 1998 with revenue of $159 million, up 8% from the 1997 level, enabling it to sustain significant profitability. The British Columbia, Southern Alberta and Northern Alberta Branches all continued profitable in 1998. The British Columbia Branch achieved its highest revenue in history. Aided by record business development success in the Southern Alberta Branch, Stuart Olson's overall work-in-hand position will support continued profitable growth in 1999.

The Company focuses on commercial, light industrial and institutional work. Most of its work is generated with repeat clients or on select invitational tenders, with only limited participation in fixed-price tender activity. This targeted approach to work procurement enhances efficiency and improves client service.

Stuart Olson's proven expertise in alternative methods of project delivery, including construction-management and design-build, complements its traditional general contracting capabilities. These alternative methods have been well received by both private and public sector clients and now generate a substantial portion of total revenue. These methods involve working with clients at the early stages of a project to value engineer the design and construction process and to then commit to a firm price. This team approach results in a superior project at a lower capital cost. As well as completing a wide range of private sector projects on this basis, Stuart Olson has led in applying these co-operative methods in the public sector. Projects include schools, hospitals, extended care facilities, university buildings and recreation complexes. This depth and range of expertise in alternative methods of project delivery differentiates Stuart Olson from its competition.



The $86 million Crystal project in Burnaby, BC.

Stuart Olson is experienced in successfully joint venturing with other construction companies to complete complex projects. The joint-venture partners may combine local knowledge, labor and preferred sub-trade relationships with project-specific expertise and client relationships to deliver a superior and cost-effective project. The largest Stuart Olson project to date, the Crystal in Burnaby, is a joint venture with a large U.S.-based contractor. This $86 million project consists of high-rise residential, hotel and office towers, several floors of retail space and underground parking. The Crystal project is proceeding very well and is scheduled for completion in 1999. It is one of the largest active commercial construction projects in Canada.

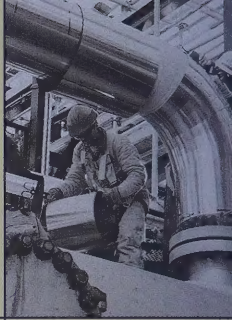
Stuart Olson has particular expertise in certain types of projects, including hotels and food processing, refrigeration and distribution facilities. The Company has built seven major hotels in the last two years. In another joint venture, Stuart Olson is completing a $45 million design-build contract on a potato processing facility in southern Alberta for a large U.S.-based agricultural company. The food processing industry has outstanding growth potential in western Canada.

The Company has built in excess of $30 million of new buildings at armed forces bases throughout Alberta during the last three years. Stuart Olson is presently constructing a large army cadet training camp scheduled for completion in June, 1999. Other notable Alberta projects in 1998 included a $16 million residence at the University of Calgary, a $20 million health care center in Lethbridge and a $22 million recreational center for the City of Calgary. Stuart Olson also completed several projects for a national retailer, seniors' health facilities, schools and cold storage and distribution centers. In addition to the Crystal project and hotels, Stuart Olson completed several large suburban office buildings and retail commercial developments in British Columbia in 1998.

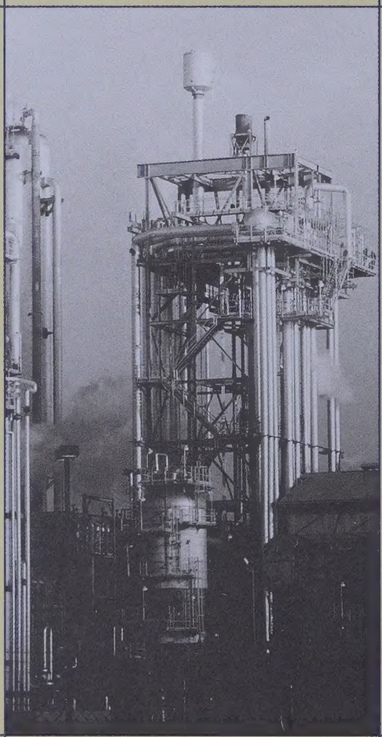
'... highest revenue in history in British Columbia... record level of work awarded in Southern Alberta...'

In 1999, Stuart Olson is celebrating 60 years of providing outstanding service and value to construction clients in western Canada. Stuart Olson employs 100 full-time staff with a site complement of 100 to 200 construction workers, depending on the season and the number of active projects.

'... strong demand from the petrochemical, electrical co-generation, oil sands and pipeline sectors'



insulation **holdings**



Simplot Canada fertilizer plant in Brandon, Manitoba

Insulation Holdings is an industrial contractor providing an integrated range of thermal and sound insulation, fire proofing, cladding, asbestos removal, siding and sheet metal contracting, and plant maintenance services. Insulation Holdings serves clients primarily in the petrochemical, oil and gas, utilities, pulp and paper, pipeline, and mining industries. With offices in Calgary, Edmonton, Fort McMurray, Bonnyville and Regina, the Company is well positioned to serve clients throughout western Canada. Insulation Holdings also completed two projects in northern Ontario in 1998. The Company generated revenue of $24 million in 1998, compared to revenue of $29 million in 1997, and maintained significant profitability.

The Company performed mechanical insulation and cladding work for Atco Noise Management Ltd., a subsidiary of Atco Ltd., a world leader in providing engineered sound solutions and construction services in industrial plant facilities around the globe. Industrial insulation services were provided on a unique jet engine testing facility designed and built by Atco Noise Management. Cladding labor services were also supplied on several pipeline compressor station noise suppression structures designed and built by Atco Noise Management.

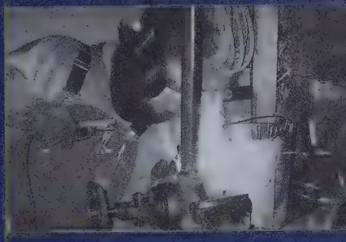
Insulation Holdings completed asbestos abatement and reinsulation projects for clients in the power generation and pulp and paper industries in 1998. It has specialized procedures to remove insulation from equipment while it is operating in order to avoid the cost and disruption that results from the normal practice of performing this work with the equipment off-line.

The Company completed a major $8 million insulation project on an ammonia fertilizer plant for Simplot Canada in Brandon. Other insulation projects included an in-situ co-generation project at Primrose Lake, a floor and roof deck project for a large pulp mill expansion, a fire-stopping installation project at another pulp mill expansion, plus the supply and installation of insulation on major projects for Suncor, Dow Chemicals and Nova Chemicals. Maintenance services were provided to clients including Celanese Canada, Inland Cement, AT Plastics, Agrium, Nova and API Grain Processors.

Insulation Holdings is benefiting from strong demand for its services from the petrochemical, electrical co-generation, oil sands and pipeline sectors. The Company is experiencing a high level of estimating and bidding activity.

The Company has been in business for more than 35 years and has an excellent reputation for reliability, safety and efficiency. It employs 32 full-time staff while field crews vary in size from 150 to 400 people, depending on the season and number of active projects.

triton **projects**



Triton Projects achieved record revenue of $28 million in 1998, a 47% increase from 1997 revenue of $19 million, as a result of repeat business from satisfied customers, effective marketing and increased demand for mechanical industrial construction services. This outstanding revenue growth, combined with effective project management and control systems, enabled Triton to achieve strong earnings in 1998.

Triton Projects is an open-shop, heavy-industrial mechanical and general contractor. It has proven capabilities in: the installation of piping, pipe rack modules, equipment, vessels, and storage tanks; structural steel fabrication and erection; and, related electrical and instrumentation components. Project experience includes new construction, modification and expansion of existing facilities, plant maintenance, and removal assignments. Triton has completed projects in a wide range of applications, including petrochemical facilities, gas processing plants, compressor stations, co-generation plants and heavy oil production facilities. During 1998, it undertook work on four compressor stations, a co-generation power plant and a 160,000 man-hour civil and mechanical project on a gas plant. Triton complements its expertise with leading edge estimating, scheduling and job-costing systems. Triton's people work on a collaborative basis with clients to ensure the smooth integration of the engineering, procurement and construction phases of project execution. Triton has an excellent safety program and record.

Triton Projects is 84% owned by Churchill, with the balance owned by Triton management. Based in Nisku, the Company employs 26 full-time employees and more than 250 people in field operations. Triton has been in business in western Canada for more than 40 years. With its superior reputation for quality, safety and reliability, it is well positioned to benefit from continued strong demand for its services from the pipeline, oil and natural gas, and petrochemical sectors.

'... record revenue of $28 million... enabled Triton to achieve strong earnings'

management's discussion & analysis

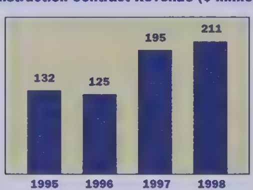
The following detailed discussion and analysis of the operating results and financial condition of Churchill should be read in conjunction with the audited consolidated financial statements and related notes on pages 16 to 26 of this Annual Report.

The business activity of Churchill consists of construction operations and non-construction operations. Construction operations are comprised of three subsidiaries: Stuart Olson Construction Ltd., Insulation Holdings Inc., and Triton Projects Limited Partnership, as described on pages 6 to 9 of this Annual Report. Non-construction operations are comprised primarily of residual real estate holdings and Churchill's 41% investment in Lafrentz Road Services Ltd., a road markings application company. The assets related to non-construction operations are properties for sale, agreements receivable and the investment in Lafrentz.

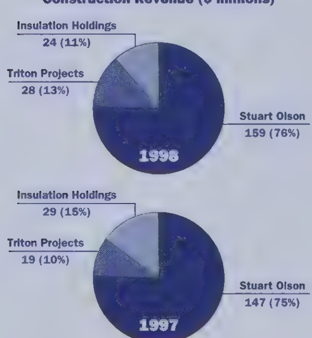
The consolidated financial statements reflect the accounts of the subsidiary companies and limited partnership, including the proportionate consolidation of several project specific joint ventures with other construction companies.

Results of Operations

Construction Contract Revenue ($ millions)



Construction Revenue ($ millions)



Construction Operations

Construction contract revenue increased by $16 million, or 8%, to $211 million in 1998 compared to $195 million in 1997. Stuart Olson revenue increased by $12 million, or 8%, to $159 million in 1998 compared to $147 million in 1997, aided by strong growth in its British Columbia and Northern Alberta Branches. Triton Projects achieved revenue growth of 47% to a record level of $28 million in 1998 compared to $19 million in 1997. Insulation Holdings achieved revenue of $24 million in 1998 compared to $29 million in 1997.

Contract income increased by $1,062,000, or 7%, to $16,684,000 in 1998 from $15,622,000 in 1997, a consistent 8% of contract revenue. The 1997 results include the positive pre-tax $860,000 net impact of a construction claim settlement relating to prior years' operations. All three subsidiaries recognize construction contract revenue on the percentage of completion basis with immediate full recognition of any projected losses.

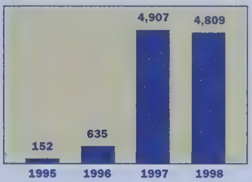
Indirect and administrative expenses increased by 7%, or $722,000, over 1997 levels, including a $143,000 restructuring charge. The increase in expenses also reflects the cost related to people and other resources required to support increased activity levels in 1998 and to achieve activity levels anticipated in 1999.

Total interest and deferred loan cost amortization expense increased by 45% to $1,003,000 in 1998 from $692,000 in 1997. This is due to the 16% loan that was outstanding during all of 1998, compared to only five months of 1997. This loan financed the 1997 capital restructuring under which all preferred shares and 8,865,846 common shares were acquired and cancelled. The portion of interest expense allocated to non-construction operations has decreased due to the divestiture of real estate.

Earnings from construction operations decreased by 2% to $4,809,000 in 1998 from $4,907,000 in 1997. As noted above, the 1997 results include the positive pre-tax $860,000 net impact of a construction claim settlement relating to prior years' operations.

'Earnings per common share increased by 68% to $0.42 in 1998 from $0.25 in 1997...'

Construction Earnings ($ thousands)

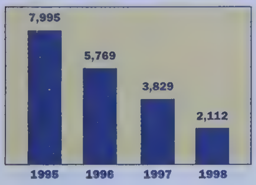


Non-Construction Operations

Churchill's aggregate investment in non-construction operations declined by 45% in 1998, consistent with our strategy to focus on construction operations.

Earnings from non-construction operations in 1998 include gains totalling $632,000 from the sale of three properties. The loss from non-construction operations in 1997 was net of a $250,000 recovery due to the reduction of a guarantee of an affiliate obligation fully allowed for in a prior year. Indirect and administrative costs related to non-construction operations decreased from $374,000 in 1997 to only $46,000 in 1998, reflecting progress in divesting non-construction assets and the related reduction in management effort and cost. The 1997 costs included $148,000 in amortization of goodwill.

Non-Construction Related Assets ($ thousands)*

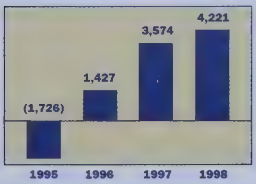


* Properties for Sale; Agreements Receivable and Other; Corporate Investments

Income Taxes

The provision for income taxes does not reflect the consolidated group's effective tax rate of 44.6%, primarily due to the utilization of $3,780,000 of previously unrecognized tax losses carried forward from previous years. Churchill has $5,346,000 of non-capital losses that can be used to reduce current taxes in future years. Of this aggregate amount, $3,526,000 has been recognized in the financial statements to reduce a deferred tax liability resulting from current timing differences. The value of the residual $1,820,000 of non-capital loss carry forwards has not been recognized in the financial statements.

Net Earnings ($ thousands)

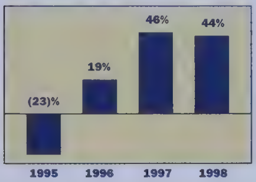


Net Earnings

Net earnings increased by 18%, or $647,000, to $4,221,000 in 1998 compared to $3,574,000 in 1997. Earnings per common share increased by 68% to $0.42 in 1998 from $0.25 in 1997 (basic), and by 54% to $0.37 in 1998 from $0.24 in 1997 (fully diluted). Return on shareholders' equity is 44% in 1998, compared to 46% in 1997.

Balance Sheet and Liquidity

Return On Shareholders' Equity

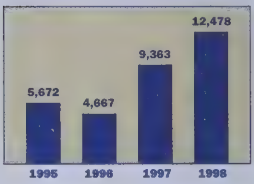


Churchill's financial position strengthened during 1998 with the retention of earnings, and $2,135,000 of proceeds from divestiture of properties for sale and collection of agreements receivable. Net working capital increased by 33%, or $3,115,000, to $12,478,000, a level sufficient to support current and projected levels of activity. The current ratio was 1.23 to 1.0 on December 31, 1998, virtually unchanged from 1.25 to 1.0 on December 31, 1997. Total interest-bearing debt decreased by 45%, to $4,181,000

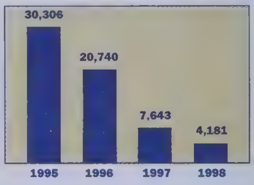
from $7,643,000, during the year. Churchill retired all bank debt by the end of the year, leaving only the 16% loan outstanding. The Corporation has $9,000,000 of approved operating lines of credit available to meet future cash requirements.

Cash and term deposits increased by 86%, to $23,500,000 from $12,655,000, during the year. Accounts receivable increased by $11,141,000 during the year, reflecting the high level of construction activity during the fourth quarter and project holdbacks receivable on construction projects continuing into 1999. There have been no material changes in credit terms or collection experience. Accounts payable increased by $10,275,000 during the year, also reflecting the high level of construction activity during the fourth quarter and holdbacks payable on projects continuing into 1999. Contract advances and unearned income increased by $8,639,000 during the year. This is a result of effective cash management and deferred recognition of project profits until a more advanced stage of project completion has been attained.

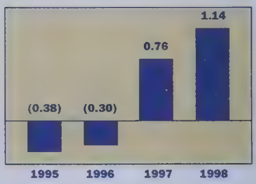
Working Capital ($ thousands)



Interest Bearing Debt Plus Preferred Shares, Including Dividends ($ thousands)



Net Book Value Per Common Share (Basic) ($)



1999 Events

In 1999, Churchill entered into an agreement to sell its largest remaining real estate asset, which is included in properties for sale. The net proceeds of approximately $720,000 will be used to retire debt.

Churchill is now in active negotiations with a major Canadian chartered bank regarding a new term loan, at a significantly lower interest rate, that would accelerate the partial repayment of the $4,181,000 16% loan. Churchill management intends to retire the balance of the loan during 1999, depending on operational working capital requirements. Early repayment of the loan will necessitate the acceleration of the amortization of the related deferred loan costs, which has a balance of $426,000 on December 31, 1998.

Risks and Uncertainties

Economic Environment

The general market for construction services in western Canada is impacted by the strength of the economy and the related level of capital spending. If the economy is soft and capital spending is weak, then overall demand will be reduced and margins may be eroded as competitive pressures increase. Churchill manages this risk by positioning its construction operations to provide a diverse range of services throughout western Canada. The Corporation serves a breadth of private and public sector market segments, including food processing, oil and gas, distribution, pipelines, petrochemical, office, education, multi-unit residential, pulp and paper, mining, utilities, healthcare, and hotels. This diversity reduces Churchill exposure to potential soft market conditions in specific sectors. Our construction operations are positioned in low fixed-cost, low capital-intensity segments of the construction industry to enable effective response to changing market conditions, as has been demonstrated in the past.

Human Resources

The continued growth and success of Churchill's construction operations depend on their ability to attract, retain, develop and motivate highly skilled personnel. There is significant demand for employees with the skills, experience and relationships required to perform the construction services that we provide and this competitive situation is expected to continue. Churchill has developed comprehensive programs to address these people issues. All senior managers of Churchill and its construction operations hold shares or options to acquire shares of the Corporation, with employees and directors holding a fully diluted ownership position in excess of 20%. In addition, senior management of Triton Projects holds part ownership of Triton.

The management teams of Churchill and its construction operations participate in incentive compensation programs under which bonuses are based on profitability and other performance objectives. An employee share purchase plan was implemented in 1998 under which employee contributions of up to 2% of salary are matched by the Corporation to make open-market purchases of Churchill shares. The high level of participation in this plan reflects employee confidence and enthusiasm regarding the future of Churchill. A major assessment of human resources was completed in 1998 and the Corporation is now in the process of implementing various measures to reinforce the people strength and depth necessary to support anticipated profitable growth.

Contract Factors

A portion of revenue is generated from fixed-price contracts where estimating risks, inefficiencies in construction, severe weather and other factors potentially impact project profitability. The large number of projects completed by Churchill in a year reduces its exposure to any single project, as most projects represent less than 10% of annual revenue. Systems have been developed for monitoring and managing the major risks related to construction activities. Churchill construction operations have management information systems supporting the expertise and experience of personnel in preparing bids and estimates, monitoring construction productivity and documenting the status of construction projects.

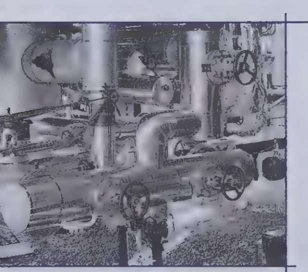
An increasing amount of Stuart Olson business is done on a contract-management or design-build basis, under which Stuart Olson works closely with its client at the early stages of a project to design and build a more cost-efficient structure. This team relationship delivers value to the client while enabling Stuart Olson to mitigate the risk of fixed-price work and to reduce its bonding requirement. Stuart Olson manages its exposure on projects on which it is general contractor by dealing with sub-contractors with which it is familiar and by obtaining performance bonds, when appropriate. Churchill construction operations complete a thorough risk assessment prior to accepting a project, including an analysis of the client's financial capability.

The Year 2000 Issue

Churchill formalized its ongoing efforts to address the Year 2000 issue in 1998 with the creation of a Year 2000 steering committee, which includes senior management representation from Churchill and each of the three construction operations. The committee developed a Year 2000 compliance program which was approved by the Board of Directors and which is now being implemented. The compliance program consists of assessment, remediation, testing, risk management and contingency planning stages. The assessment, remediation and testing of mission-critical hardware, software and data links are expected to be complete by June 30, 1999.

Churchill has taken steps to inform clients about the Year 2000 issue and to clarify its role and responsibility with regard to the compliant status of systems incorporated into completed construction projects. Revised contract wording with construction clients, design professionals, sub-contractors and suppliers specifically addresses the issue of responsibility for Year 2000 compliancy.

Churchill is making inquiries of mission critical suppliers and sub-contractors regarding their Year 2000 preparedness. The Corporation is also developing contingency plans to address potential disruption of its business processes and those of its clients and sub-contractors. We are taking appropriate steps to provide clients with uninterrupted and reliable services into the 21st Century. It is not possible to be certain that all aspects of the Year 2000 issue, including those related to the efforts of customers, suppliers and sub-contractors, will be fully resolved.

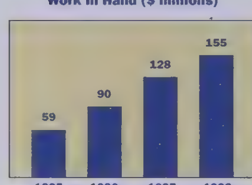


Our current estimate of the cost of the Year 2000 initiative is $300,000. Costs are being expensed as incurred. Approximately $220,000 of costs were incurred and expensed through March 31, 1999.

Outlook

Work in hand is an indication of future revenue over a period of up to 18 months. Churchill has a solid level of work in hand of $155 million on December 31, 1998, compared to $128 million last year. All three construction operations are actively pursuing significant additional opportunities with several new projects awarded to each operation in early 1999. While these critical indicators are encouraging, we remain concerned about the softness of the resource economy in British Columbia and the impact of oil prices on the Alberta economy. We continue to monitor market conditions and the business very closely.

Work In Hand ($ millions)



Management's Report

The accompanying financial statements and all information in this Annual Report are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain estimates that reflect management's best judgment. Financial information contained throughout this Annual Report is consistent with the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

Deloitte & Touche LLP, an independent firm of Chartered Accountants, was appointed by a vote of shareholders at the Corporation's last annual meeting to examine and report on the consolidated financial statements of the Corporation in accordance with generally accepted auditing standards.

The Board of Directors has approved the information contained in the consolidated financial statements. The Board fulfills its responsibility in this regard mainly through its Audit Committee which has thoroughly reviewed the financial statements, including the notes thereto, with management and external auditors.

H. R. (Hank) Reid
President and CEO

Terrance B. Dunnigan, C.A.
Vice President Finance

Auditors' Report

To the Shareholders
of The Churchill Corporation

We have audited the consolidated balance sheets of The Churchill Corporation as at December 31, 1998 and 1997 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Edmonton, Alberta
March 5, 1999

consolidated **balance sheets**

As at December 31

($ thousands)	1998	1997
Assets		
Current Assets		
Cash and Term Deposits (Note 3)	$ 23,500	$ 12,655
Accounts Receivable	41,577	30,436
Inventories and Prepaid Expenses	1,031	1,381
Properties for Sale (Note 4)	1,035	1,693
Current Portion of Agreements Receivable (Note 5)	27	794
	67,170	46,959
Agreements Receivable (Note 5)	83	192
Equity Investments	967	1,150
Property and Equipment (Note 6)	3,240	3,065
	$ 71,460	$ 51,366
Liabilities		
Current Liabilities		
Bank Indebtedness (Note 7)	$ –	$ 1,871
Accounts Payable	39,158	28,883
Contract Advances and Unearned Income	14,305	5,666
Income Taxes Payable	1,003	550
Current Portion of Long-Term Debt (Note 8)	226	626
	54,692	37,596
Long-Term Debt (Note 8)	3,955	5,146
Deferred Income Taxes (Note 9)	667	672
Minority Interest	454	548
	59,768	43,962
Shareholders' Equity		
Shareholders' Equity (Note 10)	11,692	7,404
	$ 71,460	$ 51,366

Approved by the Board:

Director

Director

consolidated **statements of earnings**

Years ended December 31

($ thousands, except per share amounts)	1998	1997
Construction Operations		
Contract Revenue	$ 210,680	$ 195,491
Contract Costs	193,996	179,869
Contract Income	16,684	15,622
Interest Income	658	244
Sundry Income	67	84
Indirect and Administrative Expenses	(10,852)	(10,130)
Depreciation	(681)	(448)
Interest Expense	(644)	(294)
Amortization of Deferred Loan Costs	(144)	(50)
Minority Interest	(279)	(121)
Earnings from Construction Operations	4,809	4,907
Non-Construction Operations		
Earnings before Depreciation and Interest (Note 11)	637	228
Depreciation	(31)	(63)
Interest Expense	(215)	(348)
Earnings (Loss) from Non-Construction Operations	391	(183)
Earnings Before Income Taxes	5,200	4,724
Income Taxes (Note 9)		
Current	(984)	(550)
Deferred	5	(600)
	(979)	(1,150)
Net Earnings	$ 4,221	$ 3,574
Net Earnings Per Common Share		
Basic	$ 0.42	$ 0.25
Fully Diluted	$ 0.37	$ 0.24

The weighted average number of common shares outstanding during the year was 10,004,172 (1997 - 14,350,892).

consolidated **statements of retained earnings**

Years ended December 31

($ thousands)	1998	1997
Retained Earnings, beginning of year	$ 1,950	$ (1,624)
Net Earnings	4,221	3,574
Retained Earnings, end of year	$ 6,171	$ 1,950

consolidated statements of changes in financial position

Years ended December 31

($ thousands)	1998	1997
Operating Activities		
Net earnings	$ 4,221	$ 3,574
Add (deduct) non-cash items		
Net equity loss (earnings) of affiliates	175	(99)
Depreciation and goodwill amortization	712	659
Amortization of deferred loan costs	144	50
Gain on disposal of equity investments	–	(41)
Gain on disposal of properties for sale	(632)	–
Recovery of allowance for guarantee of affiliate's obligation	–	(250)
Deferred income taxes	(5)	600
	4,615	4,493
Change in minority interest	(94)	21
Net change in accounts receivable, inventories and prepaid expenses	(10,935)	251
Net change in accounts payable, contract advances and unearned income	18,914	1,563
Change in income taxes payable	453	550
	12,953	6,878
Investing Activities		
Proceeds on disposal of properties for sale	1,259	1,054
Change in agreements receivable	876	174
Proceeds on disposal of equity investments	8	891
Proceeds on disposal of property and equipment	104	64
Additions to property and equipment	(960)	(657)
	1,287	1,526
Financing Activities		
Decrease in bank indebtedness	(1,871)	(2,840)
Issuance of long-term debt	–	4,500
Long-term debt repayment	(1,591)	(1,310)
Acquisition of preferred shares	–	(4,701)
Cancellation of common shares	(3)	–
Issuance of common shares	70	326
	(3,395)	(4,025)
Increase in cash	10,845	4,379
Cash and term deposits, beginning of year	12,655	8,276
Cash and term deposits, end of year	$ 23,500	$ 12,655

consolidated financial statement notes

1. Significant Accounting Policies

The consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada, and reflect the following policies:

Consolidation

The consolidated financial statements include the accounts of the following subsidiaries and limited partnership:

Stuart Olson Construction Ltd. (100%)
Insulation Holdings Inc. (100%)
Triton Construction Inc. (84.2%)(1997 - 80%)
Triton Projects Limited Partnership (84.2%)(1997 - 80%)

Inventories

Inventories are recorded at the lower of cost and net realizable value.

Properties for Sale

Properties for sale are recorded at the lower of cost and net realizable value.

Property sales are recorded when the Corporation has fulfilled all material conditions and received an appropriate down payment.

Developed properties are depreciated on a 5% sinking fund basis over 40 years.

Equity Investments

Equity investments represent interests in operating companies. These interests, where the Corporation has significant influence, are accounted for on the equity basis.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using both the diminishing-balance and straight-line methods at the rates indicated in Note 6.

Contract Income

Revenue from construction contracts is recognized on the percentage of completion basis. Percentage of completion is determined by relating either the actual cost of work or labor cost incurred to date to the current estimated total cost or estimated total labor cost for each contract. Any projected loss is recognized immediately.

2. Joint Venture Operations

($ thousands)

The Corporation and its subsidiaries are partners in several unincorporated joint ventures and the consolidated financial statements include the proportionate share of assets, liabilities, revenues, expenses, earnings and cash flows of these joint ventures, as follows:

	1998	1997
Current and total assets	$ 18,294	$ –
Current and total liabilities	16,108	–
Contract revenue	41,820	–
Contract costs and expenses	40,034	–
Net earnings before taxes	1,786	–
Cash flow from operating activities	8,049	–
Cash flow from financing activities	400	–

3. Cash and Term Deposits

($ thousands)

Cash and term deposits include $4,262 (1997 - $6,595) the use of which is restricted to the payment of direct costs related to specific construction projects.

4. Properties for Sale

($ thousands)

	1998	1997
Developed properties	$ 1,390	$ 1,902
Undeveloped land	1,093	1,638
	2,483	3,540
Less cumulative valuation adjustments	1,448	1,847
	$ 1,035	$ 1,693

Developed properties are net of accumulated depreciation of $225 (1997 - $363).
Depreciation expensed in the year was $31 (1997 - $63).

5. Agreements Receivable

($ thousands)

	1998	1997
Mortgages and notes receivable, interest at 9% (1997 - 9% to 9.27%)	$ 110	$ 264
Due on property sale	–	722
	110	986
Less current portion	27	794
	$ 83	$ 192

6. Property and Equipment

($ thousands)

	1998			1997	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value	Depreciation Rates
Land	$ 578	$ –	$ 578	$ 578	
Buildings and improvements	2,126	1,218	908	1,008	4% - 25%
Equipment and furnishings	6,926	5,172	1,754	1,479	6% - 33 ⅓%
	$ 9,630	$ 6,390	$ 3,240	$ 3,065	

Depreciation expensed in the year was $681 (1997 - $448).

7. Bank Indebtedness

($ thousands)

The Corporation and its subsidiaries maintain lines of credit totaling $9,000 (1997 - $10,871). Advances under these lines of credit are secured by floating charge debentures, general assignments of book debts and pledging of specific assets.

8. Long-Term Debt

($ thousands)

	1998	1997
Demand bank loan	$ –	$ 1,366
Secured loan	4,181	4,406
	4,181	5,772
Less current portion	226	626
	$ 3,955	$ 5,146

Secured loan bears interest at 16%, is due August, 2002, but may be repaid in whole or in part without penalty. It is secured by a convertible debenture and general security agreement covering all assets of the Corporation second to the prior security for bank indebtedness. The loan contains certain covenants which, if the Corporation should default and remain in default after a sixty day notice period, permits the lender to convert the remaining indebtedness into common shares of the Corporation at the then market price per common share.

Interest cost on long-term debt during the year was $746 (1997 - $405).

Deferred loan costs of $426 (1997 - $570) are included in prepaid expenses and are being amortized over the term of the loan to August, 2002. Amortization in the year was $144 (1997 - $50).

Estimated principal payments in each of the next four years are as follows:

1999	$ 226
2000	226
2001	226
2002	3,503

9. Income Taxes

($ thousands)

	1998	1997
Earnings before income tax	$ 5,200	$ 4,724
Unrecognized tax losses brought forward from prior years	(5,600)	(4,300)
Unrecognized tax losses carried forward to future years	1,820	5,600
Decrease in unrecognized deductible timing differences	(200)	(4,300)
	$ 1,220	$ 1,724
Income tax expense at the combined rate of 44.6%	$ 544	$ 769
Large corporation and other taxes	29	26
Other items	406	355
	$ 979	$ 1,150

Deferred income taxes result from timing differences between financial and tax reporting principally related to the recognition of contract revenue.

The consolidated group has accumulated non-capital losses for income tax purposes of $5,346 which may be carried forward and used to reduce taxable income in future years. Of this amount, $3,526 has been recognized in these financial statements through the reduction of deferred income tax liability. If not utilized, these losses will expire as follows:

1999	$ 908
2000	313
2001	414
2002	1,312
2003	2,034
2004	344
2005	21

The consolidated group also has accumulated net-capital losses for income tax purposes of $6,200 which may be carried forward indefinitely to reduce taxable capital gains in future years and unrecognized deductible timing differences of approximately $2,800 (1997 - $3,000).

10. Shareholders' Equity

($ thousands, except per share amounts)

	1998	1997
Share capital	$ 393	$ 326
Contributed surplus	5,128	5,128
Retained earnings	6,171	1,950
	$ 11,692	$ 7,404

Share Capital

Authorized

10,000,000	First preferred shares issuable in series with rights set by the directors
10,000,000	Second preferred shares issuable in series with rights set by the directors
110,000,000	Class A common shares

Issued	1998		1997	
	Shares	Share Capital	Shares	Share Capital
Series A first preferred				
Issued, beginning of year	–	$ –	4,829,069	$ 4,829
Acquired during year	–	–	(4,829,069)	(4,829)
Issued, end of year	–	–	–	–
Series A second preferred				
Issued, beginning of year	–	–	1,923,077	5,000
Acquired during year	–	–	(1,923,077)	(5,000)
Issued, end of year	–	–	–	–
Class A common				
Issued, beginning of year	9,731,074	326	17,731,920	–
Shares cancelled	(69,000)	(3)	(8,865,846)	–
Issued from treasury	605,000	70	865,000	326
Issued, end of year	10,267,074	393	9,731,074	326
Total		$ 393		$ 326

Preferred Shares

On July 31, 1997, the Corporation acquired and cancelled all of its issued Series A first and second preferred shares for $3,139 and $1,003 respectively. Accumulated dividend entitlements of $3,618 were eliminated by these acquisitions.

The preferred share acquisitions were financed by the secured loan described in Note 8.

Contributed Surplus

Contributed surplus of $5,128 arose from the acquisition of the Series A first and second preferred shares, with an issue price of $9,829, for $4,142 plus associated acquisition costs of $559.

10. Shareholders' Equity (cont'd.)

Common Shares

During the year, the Corporation acquired a company that owned 69,000 Class A common shares of the Corporation. These shares were subsequently cancelled.

On July 31, 1997, in conjunction with the acquisition of all its issued preferred shares, the Corporation arranged for the return and cancellation of 8,865,846 Class A common shares.

During the year, 580,000 (1997 – 65,000) Class A common shares were issued at $0.10 per share and 25,000 (1997 – nil) Class A common shares were issued at $0.48 per share pursuant to the Corporation's stock option plan. In 1997 the Corporation issued 800,000 Class A common shares at $0.40 per share as a commitment fee for the secured loan.

Options and Conversion Rights

The Corporation has granted its senior employees and directors options to purchase up to: 145,000 (1997 – 455,000) Class A common shares at $0.10 which expire July 15, 1999; 30,000 (1997 – 300,000) Class A common shares at $0.10 which expire May 17, 2000; 200,000 (1997 – 225,000) Class A common shares at $0.48 which expire August 13, 2002; and, 135,000 (1997 – nil) Class A common shares at $0.91 which expire December 9, 2003.

To effect the acquisition of its preferred shares in 1997, the Corporation granted the previous holder of the Series A second preferred shares and the secured loan lender options to purchase up to 200,000 and 800,000 Class A common shares respectively at $0.40 per share. These options expire July 31, 2000.

Normal Course Issuer Bid

The Corporation received approval from The Alberta Stock Exchange in December, 1998 to purchase up to 519,303 of its outstanding common shares through a Normal Course Issuer Bid. The bid commenced January 21, 1999 and will terminate on January 20, 2000.

Shareholder Rights Plan

The Corporation has instituted a Shareholder Rights Plan which attaches one Right, with an Exercise Price of $20.00, to each outstanding common share of the Corporation. The Rights expire on April 30, 2001 unless exchanged or redeemed on an earlier date. Such rights can only be exercised on the occurrence of a triggering event, which is defined as a person (an "Acquiring Person") acquiring or publicly announcing its intention to acquire 20% or more of the common shares, other than by an acquisition pursuant to a takeover bid permitted by the Shareholder Rights Plan. Upon occurrence of a triggering event, as described above, each Right entitles the holder, other than an Acquiring Person, to purchase that number of common shares of the Corporation having an aggregate market price equal to twice the Exercise Price, for an amount in cash equal to the Exercise Price. The Plan was effective March 18, 1998 when it was approved by the Board of Directors and it was subsequently confirmed by the shareholders at the Annual and Special Meeting held May 20, 1998.

11. Non-Construction Earnings

($ thousands)

	1998	1997
Corporate investments		
Equity (loss) earnings	$ (175)	$ 99
Goodwill amortization	–	(148)
Management fees	50	63
Gain on disposal	–	41
Properties for sale		
Property rentals – net	68	201
Gain on disposal	632	–
Interest income	83	69
Recovery of allowance for guarantee of affiliate's obligation	–	250
Indirect and administrative expenses	(46)	(374)
Other	25	27
	$ 637	$ 228

12. Contingencies

(a) Subsidiaries of the Corporation are contingently liable for normal contractor obligations relating to performance and completion of construction contracts as well as obligations of associates in unincorporated joint ventures.

(b) The Corporation and its subsidiaries are defendants in lawsuits involving various amounts. Management is of the opinion that the results of these actions should not have any material effect on the financial position of the Corporation. Any awards or settlements will be reflected in the statement of earnings as the matters are resolved.

13. Commitments

($ thousands)

The Corporation and its subsidiaries lease certain equipment, vehicles and office premises. Under existing terms of the leases, future minimum lease payments over the next five years are:

1999	$ 779
2000	629
2001	270
2002	153
2003	118

14. Segmented Information

The operations of the Corporation and its subsidiaries are primarily construction. As there are no other significant industry segments, segmented information is not provided.

15. Financial Instruments

Credit Risk

The Corporation is exposed to credit risk through accounts receivable. This risk is minimized by the number of customers in diverse industries and geographic centers. The Corporation performs an assessment of its potential customers as part of its work procurement process including an evaluation of their financial capacity. The Corporation maintains provisions for potential credit losses and any such losses to date have been within management's expectations.

Fair Value of Financial Instruments

The fair value of the Corporation's financial assets and liabilities approximates carrying value.

16. Uncertainty Due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

'The magnitude and diversity of planned capital investment should sustain a generally positive market environment'

board of **directors and officers**

The Churchill Board of Directors, in addition to traditional governance responsibilities, ensures that appropriate processes are in place for strategic planning, succession planning and managing the principal risks of the business. Its members are a valued resource to the Corporation and have a wide range of relevant experience and contacts. There are five Board Committees: the Executive Committee; the Audit Committee; the Human Resources Committee; the Corporate Governance Committee; and, the Corporate Development Committee.

- The Executive Committee acts on behalf of the Board between meetings of the full Board, with significant issues receiving final consideration by the full Board.
- The Audit Committee acts on behalf of the Board in ensuring that the financial statements are presented fairly and that appropriate internal controls are in place. The Audit Committee reviews risk-management and management-reporting procedures, and undertakes direct communication with the external auditors.
- The Human Resources Committee recommends the compensation of the President, compensation policies for executive officers and directors, and has responsibility for stock-related incentive programs.
- The Corporate Governance Committee is responsible for the ongoing refinement of Churchill's approach to corporate governance and monitoring overall Board effectiveness.
- The Corporate Development Committee is responsible for advising and assisting management in the identification, development and assessment of internal and external initiatives to enhance share value, including new growth opportunities and acquisitions.

'a valued resource... with a wide range of relevant experience and contacts'

Board of Directors Profiles

Dr. Peter F. Adams, PH.D., P.ENG. **(Edmonton)** (E)
Dr. Adams is President and Managing Director of the Canadian Petroleum Institute, an international training and project management company. Previous positions include: President, Technical University of Nova Scotia; President, Centre for Frontier Engineering Research; and, Dean of Engineering, University of Alberta. He serves on the Board of Directors of Lafrentz Road Services Ltd.

Robert G. Brawn, B.SC., P.ENG. **(Calgary)** (D; G)
Mr. Brawn is Chairman of Danoil Energy Ltd., and serves as a Director of United Inc., Alberta Treasury Branches, Parkland Industries Ltd., Forzani Group Ltd., and several private corporations. In addition to having extensive experience in the energy sector, Mr. Brawn was Chair of the Calgary Chamber of Commerce, and Co-Chair of the Calgary Economic Development Authority and the Independent Petroleum Association of Canada.

Stanton K. Hooper, C.E.T. **(Edmonton)** (A; C; D; E; F; G)
Mr. Hooper is President of Stanton Developments Ltd., a private Alberta-based real estate development and management company. He was formerly President and Chairman of Carma Inc. Board memberships include various industry related, charitable and government organizations. He has extensive executive management experience in construction and real estate development in Canada and the United States. Mr. Hooper completed the Advanced Management Program at Harvard Business School. He is a former Regent of Gonzaga University.

Harry A. King, B.A., C.A. **(Vancouver)** (D)
Mr. King is President and Director of Harking Investments Ltd. and a Director of Cogeco Cable Inc., International Growth Finders Inc. and several private corporations. He was formerly with Arthur Andersen, Revenue Canada and Continental Lime Ltd.

Bud W. Kushnir, B.Sc., P.Eng. **(Edmonton)** (C; E)

Mr. Kushnir was formerly Senior Vice President of Sherritt Inc. He is a board member of several private corporations and acts as an independent consultant in the areas of marketing, operations and general management.

William R. McKenzie, CMA, MBA, CFA **(Edmonton)** (F)

Mr. McKenzie is Vice President of Vencap, Inc., a venture capital and merchant banking investment company. He has served as a director of several public and private corporations and charitable organizations.

Mr. H. R. (Hank) Reid, B.A.Sc., MBA, P.Eng. **(Edmonton)** (C; F; G)

Mr. Reid has been President and Chief Executive Officer of Churchill since 1990. His extensive prior management experience in construction and real estate included serving as President of Western Region, Director and Vice President Corporate Development of George Wimpey Canada and President of Carlson Construction Company.

Winston D. Stothert, M.A.Sc., P.Eng. **(Vancouver)** (E)

Mr. Stothert is founder and Chairman of the Stothert Group of Companies, an international engineering, design and construction organization involved in large industrial projects in the chemicals, pulp and paper, wood products, electrical power and shipping terminals areas. He is a Governor of the Business Council of British Columbia and a director of several private corporations and charitable organizations.

Brian W. L. Tod, LL.B., Q.C. **(Edmonton)** (B; C; D; F)

Mr. Tod is a senior partner with the national law firm of Miller Thomson, practising primarily in the areas of corporate and commercial law and real estate. He has served as a director of several other public and private corporations and charitable organizations.

(A) Chairman
(B) Vice Chairman
(C) Member, Executive Committee
(D) Member, Audit Committee
(E) Member, Human Resources Committee
(F) Member, Corporate Development Committee
(G) Member, Corporate Governance Committee

Officers of Churchill and Subsidiaries

Stanton K. Hooper
Chairman

Brian W. L. Tod, LL.B., Q.C.
Deputy Chairman

H. R. (Hank) Reid, B.A.Sc., MBA, P.Eng.
President and Chief Executive Officer

Terrance B. Dunnigan, C.A.
Vice President Finance

Gary R. Bardell, B.Eng., M.Sc., MBA, P.Eng.
President, Stuart Olson Construction Ltd.

James L. Hartrick
President, Triton Projects Inc.

Dieter Mohr
President, Insulation Holdings Inc.

Churchill executive management team.
Standing (l to r): Dieter Mohr, Jim Hartrick
Seated (l to r): Hank Reid, Gary Bardell, Terry Dunnigan

corporate directory and **shareholder information**

Executive Offices

12836 146 Street
Edmonton, Alberta T5L 2H7
Telephone: (780) 454-3667
Fax: (780) 452-8741
Email: inquiries@churchill-cuq.com

Auditors

Deloitte & Touche LLP

Legal Counsel

Miller Thomson
Ogilvie & Company

Bankers

Alberta Treasury Branches
Bank of Nova Scotia

Surety

AXA Pacific Insurance Company

Annual and Special Meeting

The Annual and Special Meeting of Shareholders will be held at 2:00 p.m. on Wednesday, May 19, 1999 in the Yukon Room, Westin Hotel, 10135 - 100 Street, Edmonton, Alberta

Registrar and Transfer Agents

Inquiries regarding change of address, registered shareholdings, share transfers, duplicate mailings and lost certificates may be directed, as appropriate, to:

CIBC Mellon Trust Company
600 The Dome Tower
333 Seventh Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone: (403) 232-2400
Fax: (403) 264-2100
Email: inquiries@cibcmellon.ca
Web site: www.cibcmellon.ca
Answerline: 1 (800) 387-0825

Investor Relations

For copies of the annual or interim reports and any other investor-related information, or if you have any questions, please contact Hank Reid at The Churchill Corporation.

Exchange Listing

Alberta Stock Exchange
Trading Symbol "CUQ"
CUSIP: 17143D103
SEDAR Profile No: 00003704

Share Trading Information

For the quarter ended:	03/31/97	06/30/97	09/30/97	12/31/97	03/31/98	06/30/98	09/30/98	12/31/98
Share Price ($):								
High	0.16	0.41	0.65	0.90	1.31	2.00	1.40	0.99
Low	0.08	0.12	0.34	0.42	0.75	1.00	0.85	0.72
Close	0.14	0.35	0.52	0.79	1.20	1.40	0.93	0.78
Shares Traded (thousands):	519	1,072	814	750	1,107	1,328	364	278

The Corporation's Class A Common Shares are listed on The Alberta Stock Exchange (trading symbol 'CUQ').

Number of Shares outstanding as at:

	12/31/97	12/31/98
Basic	9,731,074	10,267,074
Fully Diluted	11,711,074	11,777,074

Credits

Vision Design Communications Inc.; Bluefish Studios;
Bob Matheson

The Churchill Corporation

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Fax: (780) 452-8741